

Message Text

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PAGE 01 STATE 135874

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS PRIORITY

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FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT SANTIAGO 3795 SENT ACTION SECSTATE INFO KINSHASA

LIMA

LUSAKA DTD 09 JUN 75

QUOTE:

C O N F I D E N T I A L

LIMITED OFFICIAL USE SANTIAGO 3795

E.O. 11652: N/A

TAGS: ECON, EMIN, EALR, CI

SUBJECT: DISILLUSIONMENT WITH CIPEC

1. DURING AMBASSADOR'S COURTESY CALL ON NEW MINMINES VALENZUELA
JUNE 2, VALENZUELA SAID HE PERSONALLY SAW NO FUTURE FOR CHILE'S
PARTICIPATION IN CIPEC.

2. REINFORCING PRELIMINARY IMPRESSION THAT VALENZUELA'S COMMENT
MIGHT REFLECT GOC RATHER THAN PURELY PERSONAL JUDGMENT, SANTIAGO'S
GOVERNMENT-SUPPORTING DAILY, EL MERCURIO, ON JUNE 9
QUESTIONED WISDOM CONTINUED CIPEC PARTICIPATION BY CHILE.

3. POINTS OF EDITORIAL ARE:

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A) OPEC WORKS BECAUSE IT FOLLOWS MARKET FORCES WHILE OPIC OPERATES AGAINST THEM. WORLD RECESSION WHICH LOWERS COPPER DEMAND AND EXISTENCE OF LARGE STOCKPILES MINIMIZE POTENTIAL FOR CARTEL ACTION ON PRICES.

B) CIPEC ACTION WILL PROBABLY NOT AFFECT PRICES, IN WHICH CASE CHILE WILL NEEDLESSLY LOSE \$75 MILLION BY ADHERING TO AGREEMENT.

C) OTHER CIPEC MEMBERS WILL PROBABLY HAVE TO REDUCE PRODUCTION IN ANY CASE DUE TO PROBLEMS RELATING TO POLITICALS, LABOR OR EFFICIENCY OF OPERATIONS.

D) CHILE HAS NO POLITICAL OR LABOR PROBLEMS AND IS LOW COST PRODUCER. IT THEREFORE SHOULD RE-EXAMINE ITS POSITION RE CIPEC BECAUSE SACRIFICES INVOLVED IN ITS PARTICIPATION ARE DISPROPORTIONATE TO THOSE OF OTHER MEMBERS.

POPPER UNQUOTE
KISSINGER

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